

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0545S.01I
 Bill No.: SB 227
 Subject: Tax Incentives; Economic Development, Department of
 Type: Original
 Date: March 1, 2021

Bill Summary: Allows, rather than requires, the Department of Economic Development to recapture certain tax incentives.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|--|--|--|
| FUND AFFECTED | FY 2022 | FY 2023 | FY 2024 |
| General Revenue Fund | \$0 up to or could exceed (\$715,899) | \$0 up to or could exceed (\$715,899) | \$0 up to or could exceed (\$715,899) |
| Total Estimated Net Effect on General Revenue | \$0 up to or could exceed (\$715,899) | \$0 up to or could exceed (\$715,899) | \$0 up to or could exceed (\$715,899) |

*Officials from the Department of Economic Development stated \$715,899 of Missouri Works Program benefits were recaptured in 2020. This proposal changes the recapture requirement from required to discretionary.

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2022 | FY 2023 | FY 2024 |
| | | | |
| Total Estimated Net Effect on <u>Other State Funds</u> | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2022 | FY 2023 | FY 2024 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2022 | FY 2023 | FY 2024 |
| | | | |
| | | | |
| Total Estimated Net Effect on FTE | 0 | 0 | 0 |

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|----------------|----------------|----------------|
| FUND AFFECTED | FY 2022 | FY 2023 | FY 2024 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Oversight notes qualified companies or qualified military projects that receive benefits under the Missouri Works Program are required to file annual reports indicating the number of jobs created and retained and such other information as required by the Missouri Department of Economic Development.

Currently, if a qualified company or a qualified military project fails to file such annual report timely, the benefits and tax credits attributable to the year for which the reporting was required **is required** to be recaptured.

Oversight notes this proposed legislation changes the current statutory language requiring the recapture of the Missouri Works Program benefits if the annual report is not filed timely in such that, if a qualified company or qualified military project fails to file such annual report timely, such benefits and tax credits attributable to the year for which the reporting was required **may** be recaptured.

Based on information received from the Missouri Department of Economic Development (DED), DED has recaptured the following amount(s) as a result of the failure to timely file annual reports by qualified companies or qualified military projects:

| Tax Year | Due In | Amount Recaptured | Number of Projects |
|----------|--------|-------------------|--------------------|
| 2017 | 2018 | \$61,356 | 2 |
| 2018 | 2019 | \$289,535 | 2 |
| 2019 | 2020 | \$715,899 | 4 |

Oversight assumes, then, this proposed legislation **could** result in a reduced amount of Missouri Works Program benefits and/or tax credits being recaptured in future years should qualified companies or qualified military projects fail to timely file the required annual report.

Oversight assumes the recapture of any Missouri Works Program benefits, as a result of the untimely filing of a qualified company's or qualified military project's annual report, will be at the discretion of the Missouri Department of Economic Development.

Oversight notes the language does not specifically state where recaptured Missouri Works Program benefits and/or tax credits are to be deposited. For purposes of this fiscal note, Oversight will assume the recaptured amount(s) will be deposited into General Revenue (GR).

Oversight notes the proposal has an emergency clause.

Therefore, **Oversight** will range the estimated revenue reduction to GR beginning at \$0 (all annual reports are received timely or DED continues to recapture benefits and/or tax credits for untimely annual reports) “up to or could exceed” \$715,899 (the most recent amount recaptured) beginning in Fiscal Year 2022.

Officials from the **Office of Administration – Budget & Planning Division**, the **Missouri Department of Economic Development**, and the **Missouri Department of Revenue** do not anticipate this proposed legislation will cause a fiscal impact on their organizations. Oversight does not have any information to the contrary. Therefore, Oversight will not report a fiscal impact for these organizations.

| <u>FISCAL IMPACT – State Government</u> | FY 2022 (10 Mo.) | FY 2023 | FY 2024 |
|---|--|--|--|
| GENERAL REVENUE FUND | | | |
| <u>Revenue Reduction – Section 620.2020 – Giving Discretion To Recapture Missouri Works Program Benefits/Tax Credits To Missouri Department of Economic Development</u> | <u>\$0 up to or could exceed (\$715,899)</u> | <u>\$0 up to or could exceed (\$715,899)</u> | <u>\$0 up to or could exceed (\$715,899)</u> |
| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | <u>\$0 up to or could exceed (\$715,899)</u> | <u>\$0 up to or could exceed (\$715,899)</u> | <u>\$0 up to or could exceed (\$715,899)</u> |

| <u>FISCAL IMPACT – Local Government</u> | FY 2022 (10 Mo.) | FY 2023 | FY 2024 |
|---|---------------------|------------|------------|
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT – Small Business

Provided a small business was a qualified company or qualified military project and received Missouri Works Program benefits and further failed to timely submit the annual report required, such small business **may** be able to retain their benefits rather than having such benefits recaptured.

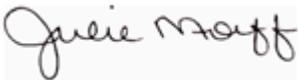
FISCAL DESCRIPTION

Current law requires the Department of Economic Development to recapture Missouri Works benefits for a qualifying company that fails to timely file the annual report required by law. This act provides the Department discretion as to whether the Department recaptures such benefits or not.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration – Budget & Planning Division
Missouri Department of Economic Development
Missouri Department of Revenue



Julie Morff
Director
March 1, 2021



Ross Strobe
Assistant Director
March 1, 2021